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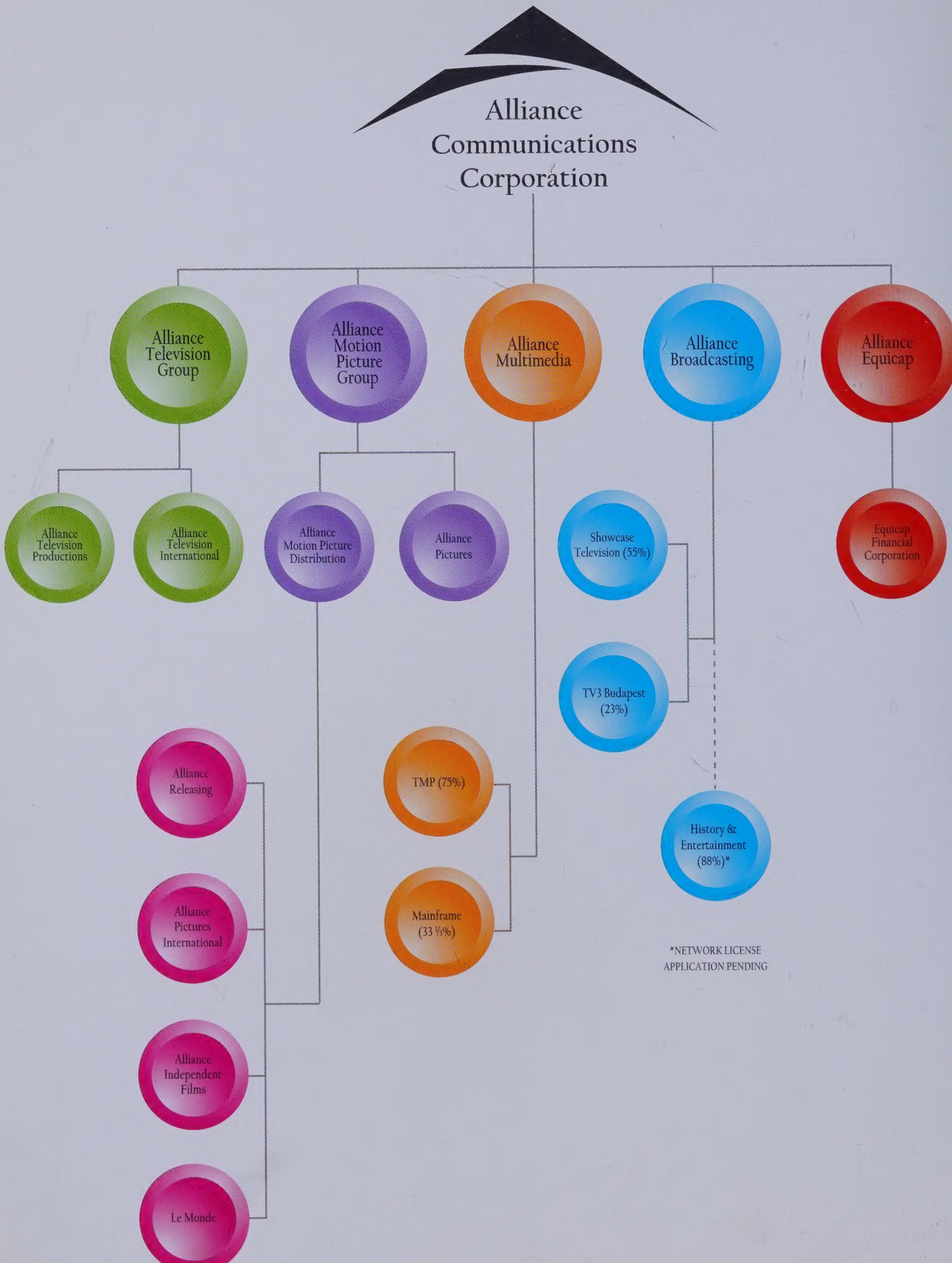
ALLIANCE

ALLIANCE COMMUNICATIONS CORPORATION • 1996 ANNUAL REPORT


Alliance Communications Corporation
Alliance Television Group
Alliance Motion Picture Group
Alliance Multimedia
Alliance Broadcasting
Alliance Equicap
Alliance Television Productions
Alliance Television International
Alliance Motion Picture Distribution
Alliance Pictures
Showcase Television (55%)
Equicap Financial Corporation
TV3 Budapest (23%)
Alliance Releasing
TMP (75%)
History & Entertainment (88%)*
Alliance Pictures International
Mainframe (33 ⅓%)
*NETWORK LICENSE APPLICATION PENDING
Alliance Independent Films
Le Monde

Corporate Highlights

Television: U.S. television sales reach $50 million

Motion Pictures: Distribution sets the pace for record revenues

Multimedia: Second CGI animated series underway

Broadcasting: SHOWCASE now seen in 3.1 million homes

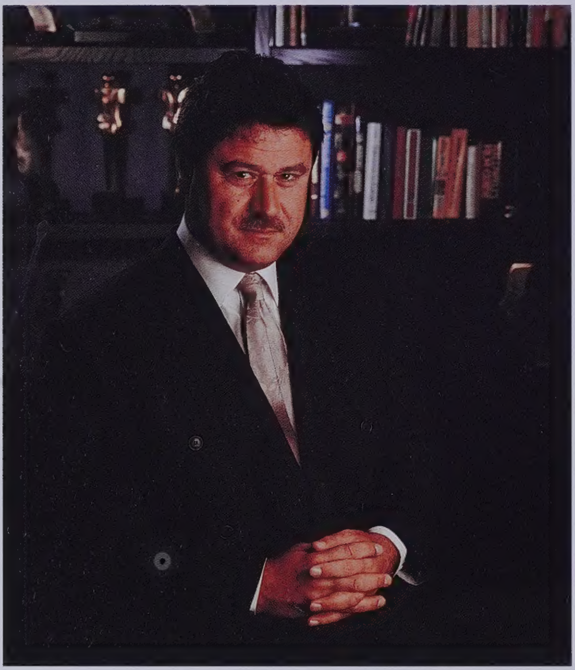
Equicap: Matches 1995's record revenues

Financial Summary

	1996	*1995*	*1994*
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Revenues	268,945	233,811	108,985
EBITDA	18,793	21,500	11,600
Net earnings	10,365	12,975	7,345
Earnings per share	1.05	1.36	1.01

ALL FIGURES IN THIS REPORT, EXCEPT AS OTHERWISE STATED, ARE EXPRESSED IN CANADIAN DOLLARS

Message to Shareholders



ROBERT LANTOS
Chairman and Chief Executive Officer
Alliance Communications Corporation

Fiscal '96 marks the completion of Alliance's first decade. These have been ten years of constant growth and expansion, focused on our goal to build a Canadian-based filmed entertainment company with a global platform.

Our pace has been feverish, our commitment to excellence uncompromising. Our strategy has never wavered. We set out to build our library in order to create long-term value and to build our distribution operations in order to control our product from inception until delivery to the consumer. Through it all, we prioritized the pursuit of excellence.

The dawn of our second decade is an opportune moment to reflect and take stock of our past accomplishments as we continue our forward drive.

We began as an independent production company determined to become a leading international force in the film and television industry. In fiscal 1986, our first year, we produced the first Canadian television drama series to be licensed in the United States, NIGHT HEAT (CBS), a mini-series for HBO and CTV which became a worldwide hit; SWORD OF GIDEON, and our first movie for a U.S. network, THE EXECUTION OF RAYMOND GRAHAM (ABC).

In order to achieve our objectives we focused on building a distribution organization so that we could retain control of our product, generate revenues every step of the way, and build a library. In 1987, we launched Alliance Releasing, our Canadian theatrical distribution operation, and its President Victor Loewy, became a partner in the company.

Today, this division generates $80 million in revenues with a 13% share of the national box office. This market share exceeds that of all other Canadian distribution companies combined and is well ahead of some U.S. studios. In a country in which indigenous distributors have historically struggled at the fringe of the market this achievement is particularly noteworthy.

VICTOR LOEWY
Vice Chairman, Alliance Communications Corporation
President, Alliance Motion Picture Distribution

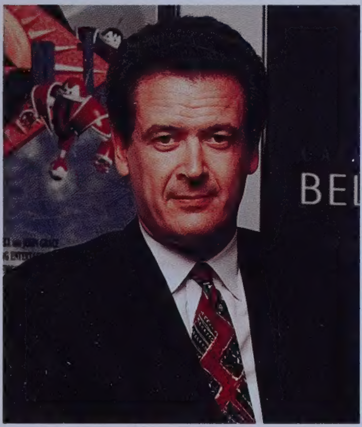
Over the years, Alliance Releasing brought to Canada a treasure trove of movies. These are some of them: AU REVOIR LES ENFANTS, CINEMA PARADISO, DUMB AND DUMBER, DON JUAN DEMARCO, HOWARDS END,

IL POSTINO, LA FEMME NIKITA, THE MASK, MEDITERRANEO, MURIEL'S WEDDING, MY LIFE AS A DOG, PULP FICTION, SEVEN, SHALLOW GRAVE, THE PLAYER, THE SWAN PRINCESS, TEENAGE MUTANT NINJA TURTLES, TRAINSPOTTING and TRULY MADLY DEEPLY. We also distributed many of the top Canadian films by independent producers: ELDORADO, LE CONFESSIONAL, LA FLORIDA, LES FOUS DE BASSAN, NAKED LUNCH, and PERFECTLY NORMAL. Canadian audiences warmly embraced our choices.

In 1989, we launched international distribution in both television and motion pictures. Today, our export revenues exceed $100 million a year.

In our first decade, we built a library which contains Canadian rights to 7,400 hours of programming (including 2,500 feature films), and international rights to 700 hours.

The addition of Alliance Equicap to our operations in 1989 has given us a strong earnings and cash flow contributor. In the years to come, with its clientele of 5,000 high income investors and the partnership of a financial institution, Equicap is poised to grow into an important international financier of entertainment production, providing high-yield debt financing to independent motion picture producers.



GEORGE BURGER
Executive Vice President
Alliance Communications Corporation

By launching SHOWCASE in 1995, investing in BUDAPEST TV3 and applying for a specialty license to launch The History and Entertainment Network, we have formed the nucleus for a broadcasting business designed to strengthen our distribution reach. While our strategy continues to be content-driven we will spare no effort to add more media outlets which in turn will broaden our direct access to the consumer.

In 1994, we became involved with a cutting edge computer generated animation project called REBOOT™. That has led to our one-third equity interest in Mainframe, the Vancouver-based company which makes REBOOT, as well as our new computer generated series BEAST WARS™. Through animation we have gained access to revenues from a variety of ancillary sources such as toys, clothing and interactive games. These businesses are now grouped together under our new division Alliance Multimedia, which also oversees our 75% interest in the leading Canadian music publisher, TMP. This is an area where we anticipate explosive growth.

As we built the company from $23 million in revenues in our first year to $270 million now, and from $300,000 in earnings to over $10 million, we generated hidden values for shareholders. Our equity in SHOWCASE and Mainframe, and our film and television library are assets for which the full values are not reflected on our balance sheet and which will all contribute to future revenue and earnings.

ROMAN DORONIUK
Chief Financial Officer
Alliance Communications Corporation

We built and made money by staying focused on our number one priority – quality. The success of our product is our highest achievement and a testament to the talent of the creative executives in the company's

television and motion picture divisions.

In our first ten years, four Alliance movies became the top-grossing Canadian films of the year (THE GATE, BLACK ROBE, LA FLORIDA, JOHNNY MNEMONIC). During those years, four out of a total of five Canadian movies selected for official competition for the Cannes Film Festival were ours (JOSHUA THEN AND NOW, LÉOLO, EXOTICA and CRASH). Two won top prizes – EXOTICA (International Critics' Prize) and CRASH (Special Jury Prize). Our movies have won 52 Genie Awards including Best Picture for EXOTICA and BLACK ROBE. They are released around the globe by leading distribution companies. In the world's largest market, the United States, TriStar Pictures released JOHNNY MNEMONIC and NEVER TALK TO STRANGERS, Miramax handled EXOTICA, New Line took CRASH and LÉOLO, BLACK ROBE went to The Samuel Goldwyn Company, October Films bought WHEN NIGHT IS FALLING, and Orion distributed THE ADJUSTER, just to name a few.

Our motion pictures have attracted actors of the calibre of Alan Arkin, Rosanna Arquette, Antonio Banderas, Rebecca De Mornay, Holly Hunter, Keanu Reeves, James Spader and James Woods, and filmmakers like Bruce Beresford, David Cronenberg, Atom Egoyan, Sir Peter Hall, Ted Kotcheff and Jean-Claude Lauzon.

In television we established many new milestones. After NIGHT HEAT, we sold another 11 drama series to U.S. networks and cable networks. That's a total of 575 episodes of our product on U.S. television!

With DIAMONDS (1987), we were the first to produce an original drama series for USA Network, and with BORDERTOWN (1988), we were the first to do so for the Family Channel. E.N.G. (1990) became the first Canadian series on Lifetime. In 1993, A FAMILY OF STRANGERS became the first Canadian movie to win the night on U.S. network television (CBS), and in 1994, DUE SOUTH became the first Canadian series in prime-time on a U.S. network (CBS).

In Canada, our series have been consistently among the highest-rated: NIGHT HEAT, BORDERTOWN, COUNTERSTRIKE, E.N.G., DUE SOUTH, all on CTV, NORTH OF 60 on CBC, and THE ADVENTURES OF THE BLACK STALLION and REBOOT on YTV, have attracted broad based, loyal audiences. Our television movies and mini-series such as SWORD OF GIDEON, ORDEAL IN THE ARCTIC, FAMILY OF STRANGERS, GRIDLOCK, FAMILY OF COPS, THE HARLEQUIN ROMANCE MOVIES, A WOMAN ON THE RUN, and THE DIANA KILMURY STORY have delivered winning ratings to our broadcasters.

We have built an international client list in over 100 nations whose demand for our product continues to rise as we deliver hit programs like the ones mentioned above, as well as THE BOYS OF ST. VINCENT, MODEL BY DAY and EMILIE (LES FILLES DE CALEB).

Our television productions have attracted actors such as: Justine Bateman, Charles Bronson, Richard Chamberlain, Henry Czerny, Tony Danza, Lolita Davidovitch, Patty Duke, James Garner, Ben Gazzara, Melissa Gilbert, Paul Gross, Bruce Greenwood, Mel Harris, Richard Harris, David Hasselhoff, Salma Hyek, Burt Lancaster, Tim Matheson, Marlee Matlin, Simon McCorkindale, Kelly McGillis, Kate Nelligan, Tatum O'Neal, Mandy Patinkin, Christopher Plummer, Emma Samms, Rod Steiger, and Michael York.

In Canada, our industry peers have honoured our work with enthusiastic recognition by awarding us over 100 Geminis including Best Television Series in eight of the last ten years.

In the next decade, we will continue our commitment to excellence and expand our talent relationships. In so doing, we will generate even greater values for our distribution business and our library.

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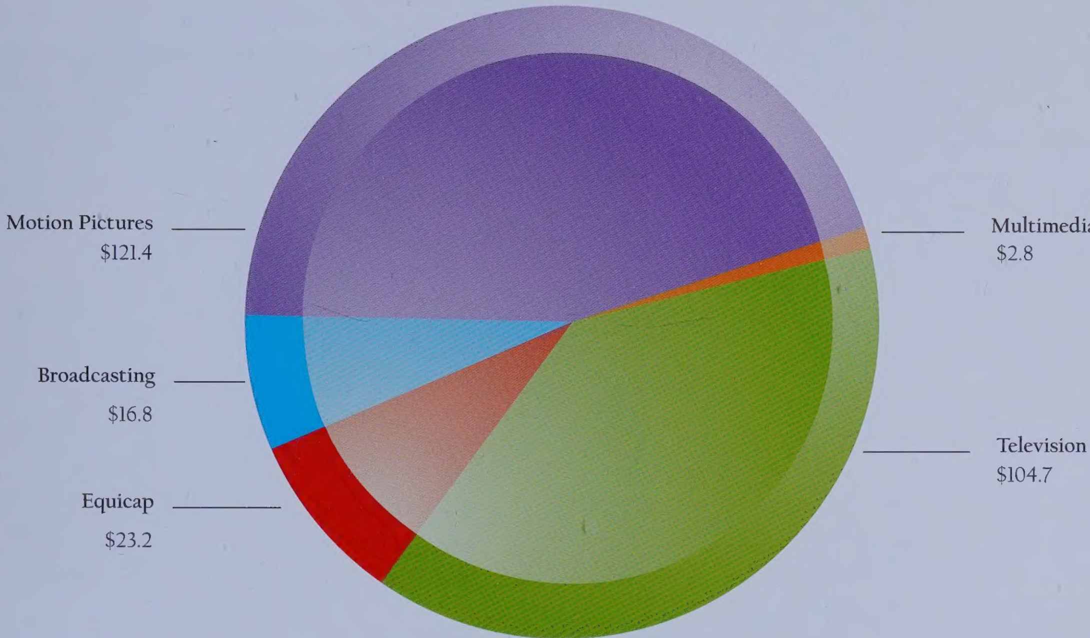
In the past year, we have realigned Alliance's corporate structure in order to provide greater clarity and more information to our shareholders and to better allow us to continue to grow by grouping our businesses more rationally and more efficiently *(see diagram on the inside front cover)*. We have strengthened senior corporate management beginning with the appointment of George Burger as Executive Vice President in fiscal 1995, and the appointments of



Fiscal 1996 Revenues

BY BUSINESS UNIT (IN MILLIONS OF DOLLARS)

Victor Loewy as Vice Chairman and of Roman Doroniuk as Chief Financial Officer this year. We have formed a Management Executive Committee to help oversee the company's day-to-day operations. The Committee is comprised of Burger, Doroniuk, Loewy, Alliance Equicap President Jeff Rayman and myself.

We have upgraded divisional management by adding Mark Horowitz as President of Alliance Pictures International, naming Victor Loewy President Worldwide Motion Picture Distribution, with Patrice Theroux as Executive Vice President, and by appointing Steven DeNure as President of Alliance Multimedia and Todd Leavitt as Chairman of the Alliance Television Group.

In the decade to come, we will build on our strengths as an established international supplier of filmed entertainment. We are ideally positioned to significantly increase our film and television production and sales.

In fiscal '96, we embarked on a major upgrading of our television distribution and production infrastructure. We added key executives and invested in exclusive arrangements with high-profile talent. We knew that in so doing, the costs would reduce our current earnings. We also knew that this investment strategy was the best way to ensure future earnings growth. With over 30 new projects in development with U.S. networks and mounting international presales, our investment in high-profile talent will begin to reap rewards in the second half of fiscal '97 and thereafter.

We remain focused on implementing our strategies and planting the seeds of future success, to ensure that the most bountiful harvests are yet to come.

ROBERT LANTOS

ALLIANCE TELEVISION GROUP

Alliance is a "must-stop" for program buyers from over 100 countries.

Alliance Television produces and distributes prime-time drama with broad North American and international appeal.

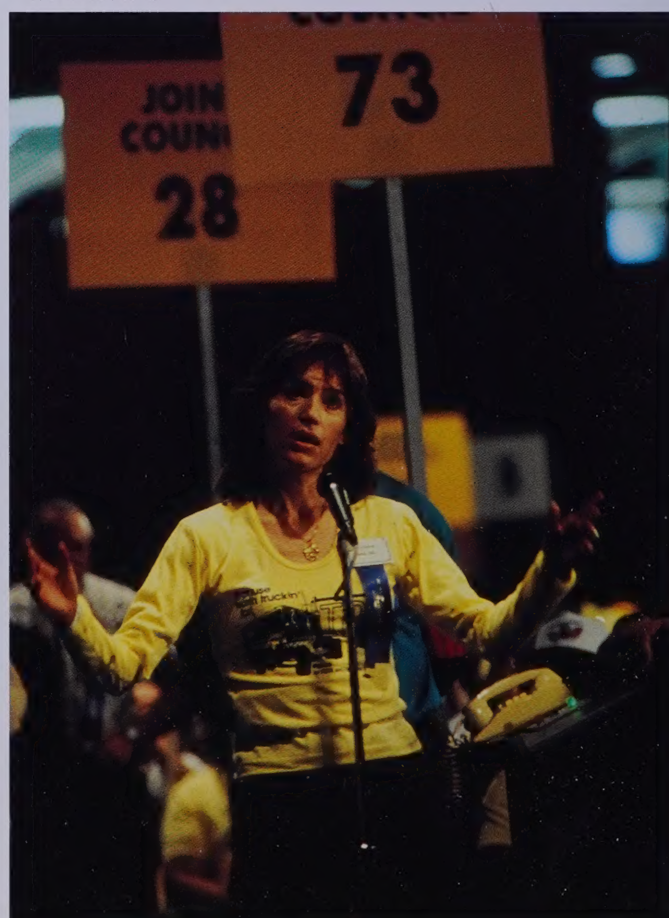
In 1996, Alliance continued to increase its penetration of the U.S. network market and at year end had over 30 projects in development with these networks. Internationally, Alliance's programs were featured prominently on the schedules of most of the major broadcasters in the world.

- *Produced and delivered 57 hours of television programs.*
- *Licensed 33 hours to NBC, CBS and ABC.*
- *Licensed programs to broadcasters worldwide, including GRIDLOCK (106 countries), FAMILY OF COPS (88) and DUE SOUTH (113).*
- *Achieved record revenues from its international library of 700 hours.*

MULTIPLE HITS: *Alliance produced 16 new episodes of NORTH OF 60 for CBC, and another 18 episodes of DUE SOUTH for CBS/CTV. DUE SOUTH was the top-rated Canadian drama series and NORTH OF 60 ranked third.*

STRAIGHT UP, the hard-hitting CBC teen drama, was cheered by critics as "one of the most powerful and original television series ever...".

THE DIANA KILMURY STORY, produced for the CBC, has been licensed in the U.S. to Turner Network Television.



"The Mozart of Mayhem": *One of the world's leading action directors, John Woo (BROKEN ARROW) directed the two-hour pilot ONCE A THIEF, licensed to FOX in the U.S. Alliance has signed Woo to an exclusive deal in television.*

Searing romance, small screen: *In 1996, Alliance added two more Harlequin movies, THE AWAKENING and AT THE MIDNIGHT HOUR, to its collection of movies based on the best-selling Harlequin Romance books.*

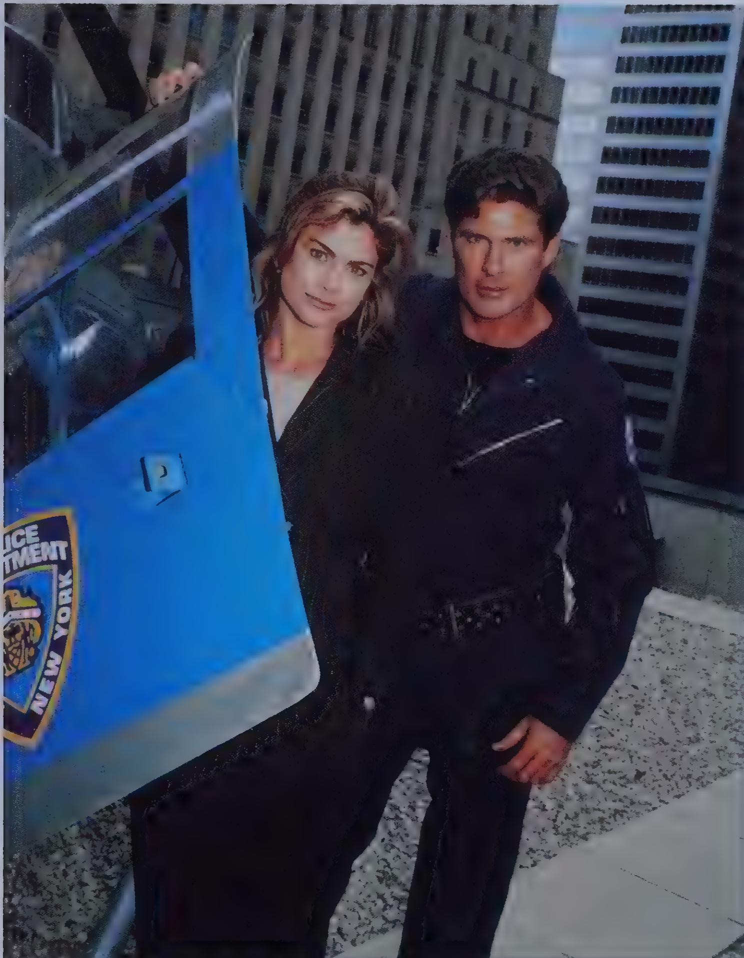
NORTH OF 60 (CBC)

THE AWAKENING (CBS)

A leading Canadian exporter.

Alliance Television International markets Alliance product to the world's largest and most prestigious networks – including Australia's Seven Network; France's Canal+, TFI and France2; Great Britain's Channel Four and ITV; Italy's Mediaset; and Spain's Telecinco.

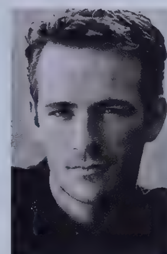
FAMILY OF COPS. Charles Bronson stars in one of the season's highest-rated television movies on CBS. A sequel will be produced in 1997 for CBS.



BAYWATCH star David Hasselhoff plays opposite Kathy Ireland in the NBC movie GRIDLOCK, Alliance's first co-production with German broadcaster Pro Sieben. A sequel is in development.

In 1996, DUE SOUTH won the Gemini Award for Canada's best dramatic series, the eighth time Alliance has won the award in the last 10 years. DUE SOUTH also won the best continuing series award at the 1996 Banff Television Festival.

Creative alliances with top talent.



To increase our penetration of the U.S. networks and ensure a growing supply of programming, Alliance Television Productions added Diane Keaton and Luke Perry to its roster of writers, directors and producers.

The chart below reflects the growing success of this strategy.

US NETWORK SALES
(IN MILLIONS OF DOLLARS)

Alliance Motion Picture Group

Alliance Motion Pictures produces movies through its Alliance Pictures division.

International distribution is handled through three labels:

ALLIANCE PICTURES INTERNATIONAL licenses upmarket commercial films such as Crash and Johnny Mnemonic with budgets ranging from US$ 10 million to US$ 20 million.

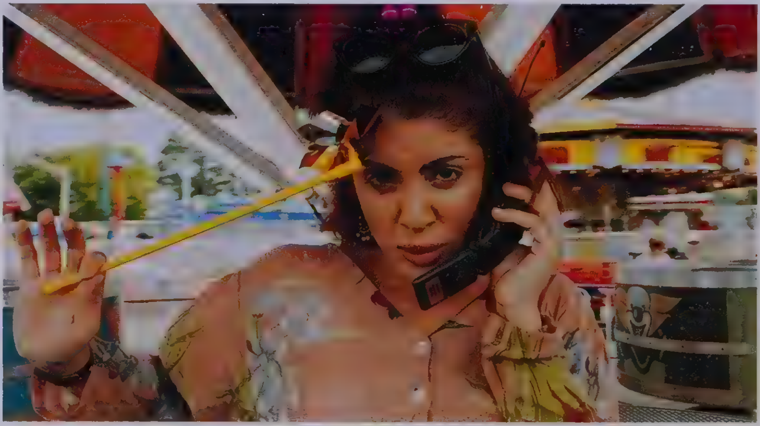
LE MONDE ENTERTAINMENT licenses action-adventure films such as The Demolitionist and The Boys Club, with budgets ranging from US$ 2 million to US$ 6 million.

ALLIANCE INDEPENDENT FILMS acquires and distributes critically acclaimed specialty 'auteur' films such as Exotica and Welcome to the Dollhouse, with budgets ranging from US$ 1 million to US$ 5 million.

- *Crash won a Special Jury Prize at the 1996 Cannes Film Festival. Since 1985, thirteen Alliance pictures have been selected by the Cannes Film Festival, including four in official competition.*
- *Welcome to the Dollhouse won the Grand Jury Prize at the 1996 Sundance Film Festival.*

Crash, written, directed and produced by David Cronenberg, stars James Spader, Holly Hunter, Elias Koteas, Deborah Unger and Rosanna Arquette. Crash is the first Canadian movie to top the box office in France.

Never Talk to Strangers, starring Rebecca De Mornay and Antonio Banderas – an Alliance production released in the U.S. by TriStar Pictures.



Denise Calls Up, the hit of the 1995 Toronto Film Festival, was distributed overseas by Alliance.

Alliance produces motion pictures and distributes them around the world.

WELCOME TO THE DOLLHOUSE, Todd Solondz' stark comedy about growing up in New Jersey, received wide critical acclaim.

WHEN NIGHT IS FALLING. Patricia Rozema's passionate love story proved to be an art-house hit in many countries, including the U.S., Germany and Australia.

THE DEMOLITIONIST, an action-adventure movie from Alliance's Le Monde division has been licensed in 92 countries.

With \$80 million in revenues, Alliance Releasing consolidated its position as Canada's industry leader.

In Canada, Alliance Releasing distributes Alliance productions, as well as motion pictures acquired from independent producers, to all media .

In 1996, Alliance Releasing was the market leader among Canadian distributors in both French and English Canada.

In the coming year, Alliance Releasing will expand by setting up distribution operations in the U.K. and Australia.

- *Distributed 76 motion pictures in Canada, including box office hits such as IL POSTINO, SEVEN and MORTAL KOMBAT.*

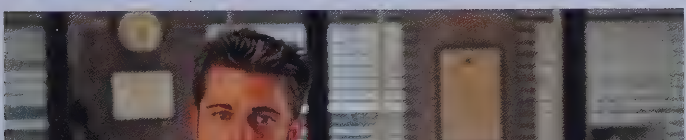
- *Generated record revenues through its Canadian library of 7,400 hours, including 2,500 feature films.*

Robert LePage's stunning first film, LE CONFESSIONAL, opened the 1995 Toronto Film Festival, and was a top-grossing movie in Quebec.

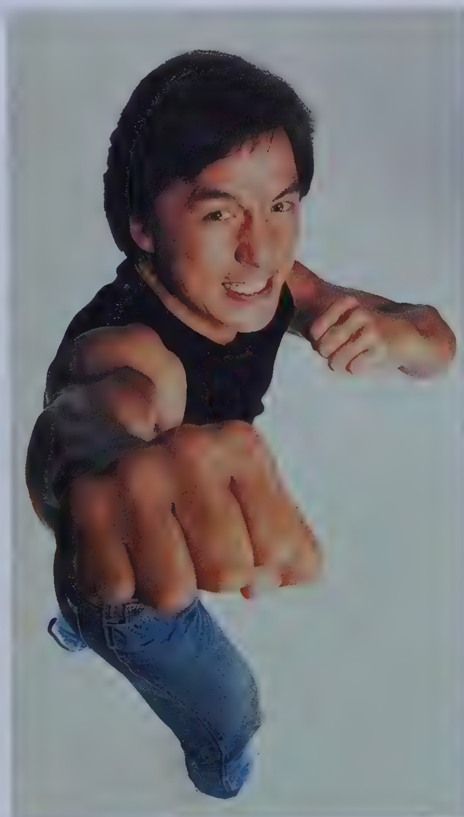
After grossing over \$12 million at the box office, PULP FICTION set an all-time Canadian record, shipping 80,000 video cassettes to the rental market.

Christopher Lambert stars in MORTAL KOMBAT, with \$7 million at the Canadian box office.

IL POSTINO, *the Academy-Award winner from Italy, grossed $2.3 million in Canada, a record for a sub-titled film.*



SEVEN, *starring Morgan Freeman and Brad Pitt, was Alliance Releasing's top grossing movie of the year, earning more than $12 million.*



RUMBLE IN THE BRONX, *starring Jackie Chan, scored at the Canadian box office, with $4.5 million.*

Alliance Multimedia

Alliance Multimedia was recently formed to develop and produce animation and to manage Alliance's music publishing, merchandising and licensing activities.

Alliance Multimedia owns a third of Mainframe, a world leader in CGI animation, and the company that makes ReBoot and Beast Wars. It also owns 75% of TMP – The Music Publisher, which has a library of over 3,500 music titles.

In its first full year of operation, Alliance Multimedia:

- *Completed the second season of ReBoot, which won its second Gemini Award for best animated series.*

- *Began production on 26 episodes of Beast Wars, another CGI series, in partnership with Hasbro Toys.*

In Canada on YTV and in 50 other countries, ReBoot is a pioneer in shaping the next generation of animation, a world of computer-generated movies, theme park rides and interactive games.

Alliance Multimedia creates unique animation properties and exploits the ancillary rights to Alliance's products.

ReBoot spawned more than 100 merchandising licenses including video games, CD-ROMs, collectible cards and toys.

The CGI series, *Beast Wars*, marks Alliance's first joint venture with Hasbro Toys, and is made possible by the technology developed for the award-winning *ReBoot* series.

MAINFRAME'S HIDDEN VALUES

Subsequent to year-end, Mainframe completed a private placement of subordinated convertible debentures for US$ 10 million. They are convertible into 15% of Mainframe's common shares. Alliance holds long-term worldwide distribution rights to Mainframe's productions.

TMP – The Music Publisher administers the world-wide publishing rights to its library, which grew by 200 songs in 1996.

ALLIANCE BROADCASTING

ALLIANCE BROADCASTING makes strategic investments in downstream broadcast assets that deliver Alliance's library directly into the home. It owns 55% of the all-fiction specialty channel, SHOWCASE Television; 23% of Budapest TV3, Hungary's leading private broadcaster; and 88% of The History and Entertainment Network (license pending approval by the CRTC). In its first full year of operation, Alliance Broadcasting generated $16.8 million in revenues.

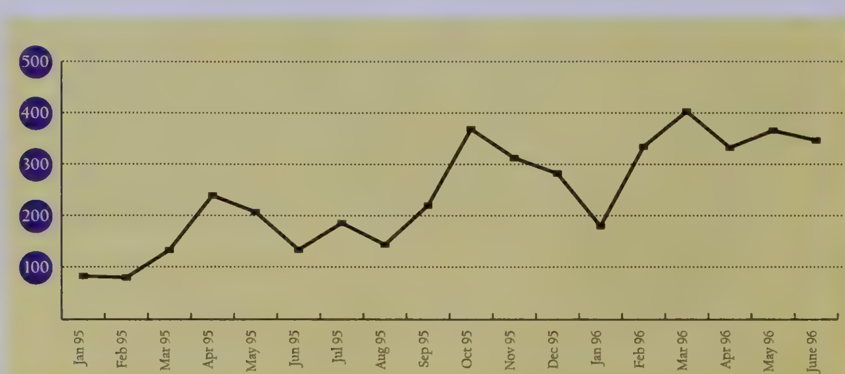
By investing in broadcasters, we expand our distribution reach and create new markets for our library.

THE HITCHHIKER, licensed from the Alliance library, is consistently the highest-rated program on SHOWCASE. The audience for SHOWCASE has the most desirable demographics of all Canadian specialty television audiences.

Launched in January 1995, SHOWCASE now has 3.1 million subscribers.

Alliance's 23% interest in Budapest TV3 is linked to a supply agreement to license several hundred hours of programming from Alliance's library.

An application was filed with the CRTC to launch The History and Entertainment Network, owned by Alliance (88%) and the CTV Television Network (12%).



SHOWCASE TELEVISION
ADVERTISING REVENUE
JANUARY 1995–JUNE 1996
(REVENUE IN $000s)

ALLIANCE EQUICAP

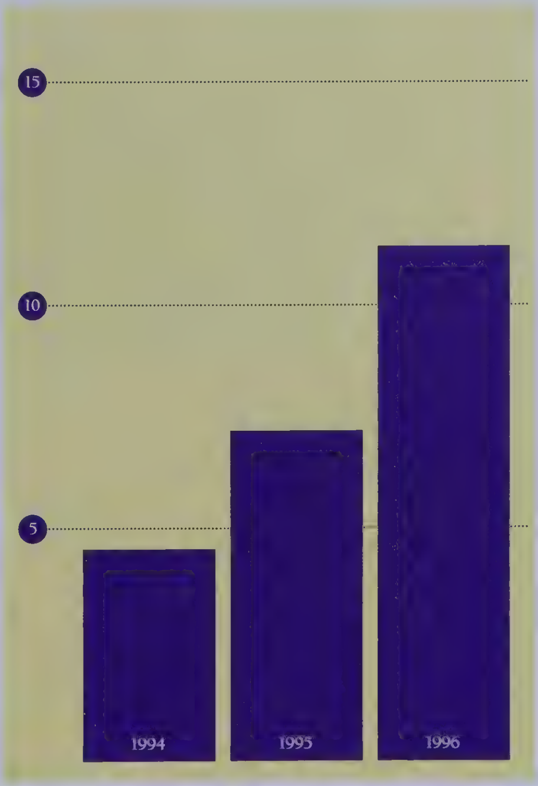
ALLIANCE EQUICAP is the national leader in the syndication of entertainment-related financings. At year-end, Equicap launched Equicap Financial Corporation which, together with a Canadian financial institution, will provide high-yield financing to independent producers around the world.

Guest star Leslie Nielsen behind the scenes on DUE SOUTH, which was one of the many products syndicated by Equicap to its client base of over 5,000 high net-worth individuals.

A library of hidden values.

In just over ten years, Alliance has accumulated a library comprised of Canadian rights to over 7,400 hours of programming (including 2,500 motion pictures), and international rights to over 700 hours. Most of its international library consists of Alliance productions.

The library principally consists of fully amortized programs and motion pictures which have completed their first exploitation cycle, usually five years after completion of production. Income from the library has provided a consistently growing revenue base, as shown on this chart, which essentially accounts for revenues from product completed or acquired up to 1991. Because Alliance's production and acquisition activities increased substantially in following years, and continue to do so, the revenue growth trend is expected to accelerate in the coming years.



ALLIANCE LIBRARY REVENUES
(IN MILLIONS OF DOLLARS)

Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Alliance prepares its financial statements in accordance with Canadian GAAP, which differ in certain respects from U.S. GAAP. The differences are described in Note 18 to the Consolidated Financial Statements.

The company recognizes revenues from its production activities when the television program or film is completed and delivered, the sale of distribution rights and/or license to a broadcaster is committed and there is reasonable assurance of collectibility of proceeds. The company recognizes revenues from distribution activities when the television program or film is completed and delivered and when rentals are due from an exhibitor or a sale of subdistribution rights or a license to a broadcaster is committed, and there is reasonable assurance of collectibility of proceeds. Fees from structured financings are recognized when earned. Revenues from broadcasting activities are recognized when earned. Royalties from music rights are recognized when collected.

The company capitalizes production and distribution costs as incurred to investment in film and television programs and such costs are amortized to direct operating expenses in accordance with U.S. Financial Accounting Standards Board Statement No. 53, "Financial Reporting by Producers and Distributors of Motion Picture Films" ("FASB 53"). Under FASB 53, all costs incurred in connection with an individual film or television program, including production costs, release prints and advertising costs, are capitalized as investment in film and television programs. These costs are stated at the lower of unamortized cost and estimated net realizable value. Estimated total production costs for an individual film or television program are amortized in the proportion that revenues realized relate to management's estimate of the total revenues expected to be received from such film or television program.

Results of operations for any period are significantly dependent on the number and timing of television programs and films delivered or made available to various media. Consequently, the company's results of operations may fluctuate materially from period to period and the results for any one period are not necessarily indicative of results for future periods. Ultimately, profitability depends not only on revenues but on the amount paid to acquire or produce the film or television program and the amount spent on the prints and advertising campaign used to promote it.

Results of Operations

Management's presentation of the company's operating results reflects the company's reorganization into five businesses. The following table presents a consolidated financial summary of the company's businesses.

	FISCAL YEARS ENDED MARCH 31,						% INCREASE (DECREASE)	
	1996		1995		1994		1996 over 1995	1995 over 1994
(IN THOUSANDS OF CANADIAN DOLLARS)	$	%	$	%	$	%	%	%
REVENUES BY BUSINESS:								
Alliance Television	104,676	38.9	106,540	45.5	64,923	59.5	(1.7)	64.1
Alliance Motion Pictures	121,416	45.1	100,709	43.1	32,330	29.7	20.6	211.5
Alliance Equicap	23,204	8.6	23,582	10.1	11,732	10.8	(1.6)	101.0
Alliance Broadcasting	16,836	6.3	2,586	1.1	–	–	551.0	–
Alliance Multimedia	2,813	1.1	394	0.2	–	–	614.0	–
Total revenues	268,945	100.0	233,811	100.0	108,985	100.0	15.0	114.5
DIRECT OPERATING EXPENSES BY BUSINESS:								
Alliance Television	80,486	76.9	83,282	78.2	47,120	72.6	(3.4)	76.7
Alliance Motion Pictures	109,331	90.0	87,743	87.1	25,876	80.0	24.6	239.1
Alliance Equicap	11,920	51.4	11,573	49.1	5,204	44.4	3.0	122.4
Alliance Broadcasting	7,299	43.4	827	32.0	–	–	781.5	–
Alliance Multimedia	753	26.8	260	66.0	–	–	189.6	–
Total direct operating expenses	209,789	78.0	183,685	78.6	78,200	71.8	14.2	134.9
GROSS PROFIT BY BUSINESS:								
Alliance Television	24,190	23.1	23,258	21.8	17,803	27.4	4.0	30.6
Alliance Motion Pictures	12,085	10.0	12,966	12.9	6,454	20.0	(6.8)	100.9
Alliance Equicap	11,284	48.6	12,009	50.9	6,528	55.6	(6.0)	84.0
Alliance Broadcasting	9,537	56.6	1,759	68.0	–	–	442.2	–
Alliance Multimedia	2,060	73.2	134	34.0	–	–	1,437.3	–
Total gross profit	59,156	22.0	50,126	21.4	30,785	28.2	18.0	62.8

Fiscal 1996 Compared to Fiscal 1995

Revenues in fiscal 1996 were $268.9 million, an increase of $35.1 million or 15.0%, compared to $233.8 million in fiscal 1995. This increase was due primarily to significant revenue growth in Alliance Motion Pictures, as well as the inclusion of revenues for a full year in Alliance Broadcasting, which started commercial operations in January 1995.

Alliance Television revenues in fiscal 1996 were $104.7 million, a decrease of $1.8 million or 1.7%, compared to $106.5 million in fiscal 1995. This decrease was due primarily to lower international revenues partially offset by higher North American revenues.

Alliance Motion Pictures revenues in fiscal 1996 were $121.4 million, an increase of $20.7 million or 20.6%, compared to $100.7 million in fiscal 1995. This increase was due primarily to increased revenues in Alliance Releasing, the company's Canadian distribution business. Alliance Releasing revenues in fiscal 1996 were $79.8 million, an increase of $21.3 million or 36.4%, compared to $58.5 million in fiscal 1995. Within Alliance Releasing, this increase was due primarily to increases in Canadian home video revenues as a result of a number of successful home video releases, including Pulp Fiction, Mortal Kombat, Don Juan DeMarco and Johnny Mnemonic, as well as the continued exploitation of Dumb and Dumber, The Swan Princess and The Mask, which were released theatrically in fiscal 1995. These increases were slightly offset by a $3.0 million decrease in Canadian theatrical revenues in fiscal 1996.

Alliance Equicap revenues in fiscal 1996 were $23.2 million, which was approximately the same as fiscal 1995. In fiscal 1996, Alliance Equicap focused on structured production financings, which provided private investors with access to tax incentives provided by the Canadian government.

Amendments to the Income Tax Act (Canada) eliminated those incentives effective January 1, 1996, replacing them with a tax credit system which is available only to producers such as Alliance. Despite the elimination of its principal product at the end of calendar 1995, the company believes that it will be able to replace some or all of the lost revenues with the sale of existing product and other product which it is developing.

Alliance Broadcasting revenues in fiscal 1996 were $16.8 million, an increase of $14.2 million, compared to $2.6 million in fiscal 1995. This increase was due primarily to fiscal 1996 revenues reflecting the first full year of operations of SHOWCASE, while the previous year reflected only one quarter of operations. Revenues were recognized in the first quarter of operations from January 1, 1995 to March 31, 1995 essentially on a cash basis as signed contracts between SHOWCASE and the major cable companies were not in place at that time. In fiscal 1996, agreements with the cable companies were finalized and a retroactive adjustment to January 1, 1995 resulted in an increase to revenues being recorded, of which approximately $200,000 pertained to fiscal 1995 operations. Since the beginning of SHOWCASE's operations, the number of viewers has increased, which has affected both cable revenues, based on audience penetration, and advertising sales.

Alliance Multimedia revenues in fiscal 1996 were $2.8 million, an increase of $2.4 million, compared to $394,000 in fiscal 1995. Distribution revenues of $1.7 million were recognized in fiscal 1996 as episodes of ReBoot were delivered to YTV. Fiscal 1996 also reflected the first full year of operations of TMP – The Music Publisher ("TMP"), where revenues were $1.1 million, an increase of $694,000 compared to fiscal 1995.

Gross profit in fiscal 1996 was $59.2 million, an increase of $9.1 million or 18.0%, compared to $50.1 million in fiscal 1995. This increase was due primarily to the inclusion of gross profit realized from SHOWCASE's first full year of operations and distribution revenues realized upon the delivery of ReBoot. As a percentage of revenues, gross profit in fiscal 1996 was 22.0%, compared to 21.4% in fiscal 1995, due to the change in the revenue mix and increased margins in Alliance Television, partially offset by decreased margins in Alliance Motion Pictures. Decreased margins in Alliance Motion Pictures were due primarily to an increase in the provision for investment in film and television programs in fiscal 1996. In addition, margins on films delivered in fiscal 1996 were not as favourable as the margins on films delivered in fiscal 1995.

Other operating expenses in fiscal 1996 were $40.4 million, an increase of $11.8 million or 41.3%, compared to $28.6 million in fiscal 1995. Other operating expenses are comprised of corporate overhead and operating expenses other than direct operating expenses. These expenses included such items as general and administrative expenses, salaries and benefits, office rental, communication costs and professional fees. In fiscal 1996, $12.3 million of operating expenses related to corporate overhead, compared to $11.7 million in fiscal 1995. Before non-recurring charges, corporate overhead decreased to $11.0 million in fiscal 1996 from $11.1 million in fiscal 1995. The overall increase in other operating expenses was due to expansion of the Los Angeles office and international operations, increased expenses in Alliance Broadcasting associated with SHOWCASE's first full year of operations, overall head count and wage increases and certain one-time expenditures, such as severance costs and costs associated with the company's unsuccessful efforts to acquire the broadcast assets of John Labatt Limited.

Net interest expense in fiscal 1996 was $893,000, an increase of $611,000, reflecting increased interest costs as the opening cash balance was drawn down early in the fiscal year to finance production costs, acquisitions of distribution product and development costs.

The company's effective tax rate for fiscal 1996 decreased to 15.0% from 22.8% in fiscal 1995 due to a shift in the mix of earnings before income taxes to non-Canadian operations with favourable income tax rates.

Net earnings in fiscal 1996 were $10.4 million, a decrease of $2.6 million or 20.0%, compared to $13.0 million in fiscal 1995.

Fiscal 1995 Compared to Fiscal 1994

Revenues in fiscal 1995 were $233.8 million, an increase of $124.8 million or 114.5%, compared to $109.0 million in fiscal 1994. This increase was due to significant growth in all divisions of the company and, to a much lesser degree, the inclusion of the company's two new investments, SHOWCASE and TMP.

Alliance Television revenues in fiscal 1995 were $106.5 million, an increase of $41.6 million or 64.1%, compared to $64.9 million in fiscal 1994. This increase was due to the delivery in fiscal 1995 of four television series and seven MOWs, whereas in fiscal 1994 four series, two pilots and only one MOW were delivered.

Alliance Motion Pictures revenues in fiscal 1995 were $100.7 million, an increase of $68.4 million or 211.5%, compared to $32.3 million in fiscal 1994. This increase was primarily due to the delivery in fiscal 1995 of two films, JOHNNY MNEMONIC and WHALE MUSIC, whereas one lower-budget film was delivered in fiscal 1994, and due to increased revenues in Alliance Releasing. Alliance Releasing revenues in fiscal 1995 were $58.5 million, an increase of $28.3 million or 93.7%, compared to $30.2 million in fiscal 1994. Canadian distribution revenues increased in fiscal 1995 due to several successful theatrical releases, including THE MASK, PULP FICTION and DUMB AND DUMBER. In fiscal 1995, home video sales totalled $20.4 million and television sales were $10.7 million, compared to $14.6 million and $7.0 million, respectively, in fiscal 1994.

Alliance Equicap revenues in fiscal 1995 were $23.6 million, an increase of $11.9 million or 101.0%, compared to $11.7 million in fiscal 1994. This increase was due to market acceptance of new product introduced by Alliance Equicap.

Direct operating expenses in fiscal 1995 were $183.7 million, an increase of $105.5 million or 134.9%, compared to $78.2 million in fiscal 1994. Gross profit in fiscal 1995 was $50.1 million, an increase of $19.3 million or 62.8%, compared to $30.8 million in fiscal 1994. As a percentage of revenues, gross profit in fiscal 1995 was 21.4%, compared to 28.2% in fiscal 1994. This decrease was due primarily to the change in the revenue mix and declines in gross profit margins in Alliance Television, where one high-margin MOW was delivered in fiscal 1994 which disproportionately increased the margin, and in Alliance Motion Pictures, where the two films delivered in fiscal 1995 had decreased margins compared to the one lower-budget film delivered in fiscal 1994.

Other operating expenses in fiscal 1995 were $28.6 million, an increase of $9.4 million or 49.0%, compared to $19.2 million in fiscal 1994. For fiscal 1995, $11.7 million related to corporate overhead, compared to $7.4 million in fiscal 1994. The overall increase in other operating expenses was primarily a result of increased sales, additional costs of operating as a public company for a full year, the inclusion of SHOWCASE and TMP and increased staffing levels with respect to the expansion of the Los Angeles office.

Depreciation expense in fiscal 1995 increased by $3.1 million to $3.5 million as a result of amortization of fixed assets acquired in the prior year.

The company's effective tax rate for fiscal 1995 decreased to 22.8% from 24.5% in fiscal 1994, due to a shift in the mix of earnings before income taxes to non-Canadian operations with favourable income tax rates.

Net earnings in fiscal 1995 were $13.0 million, an increase of $5.7 million or 78.1%, compared to $7.3 million in fiscal 1994.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations increased during fiscal 1996 to $174.5 million from $169.1 million in fiscal 1995 and $110.9 million in fiscal 1994. Earnings before interest, provision for income taxes, depreciation, amortization and minority interest ("EBITDA") decreased to $18.8 million during fiscal 1996 after growing to $21.5 million in fiscal 1995 from $11.6 million in fiscal 1994.

Alliance has traditionally financed its working capital requirements principally through cash generated by operations, revolving bank credit facilities and sales of equity. The greatest demand for working capital exists in the start-up phase of production, which traditionally occurs in August and September, although it is progressively becoming less and less seasonal in nature as the company diversifies its business.

The nature of the company's business is such that significant initial expenditures are required to produce and/or acquire television programs and films, while revenues from these television programs and films are earned over an extended period of time after their completion. As Alliance's activities grow, its financing requirements are expected to grow. The company believes it has sufficient resources to fund its operations through fiscal 1998 from cash generated by operations, existing bank facilities and the net proceeds of the U.S. equity offering in August, 1996.

Alliance typically borrows from banks to provide interim production financing. All revenues associated with these productions are pledged as security for these loans. The majority of these borrowings relate specifically to television program and film production.

On October 28, 1994, prior to the reorganization of the share capital of the company, the company issued an unsecured, subordinated 6.5% convertible debenture maturing April 5, 2002 to Onex Corporation for $16.5 million cash. The debenture is convertible into common shares of the company at any time at $19 per share. Interest is payable in cash or additional convertible debentures at the company's option. Commencing October 28, 1999, the debenture or any portion thereof will be redeemable at the option of the company, provided certain conditions are met, at the issue price, together with accrued and unpaid interest to the date of redemption. The debenture provides the company with the option to pay for the redemption of the debenture by issuing common shares to the debentureholder at a price equal to 90% of the weighted average trading price of the common shares for the last 20 consecutive trading days prior to redemption or the maturity date.

In fiscal 1995, the company obtained a $75 million credit facility from a Canadian chartered bank. The bank facility provides for a $20 million demand operating line, a $50 million term production financing facility and a $5 million facility to hedge foreign exchange exposure. As at March 31, 1996, the company had loans outstanding under its term production facility on productions in progress in the amount of $18.8 million. The company applied $13.1 million of its cash against the $18.8 million loans for net operating loan and bank indebtedness of $5.6 million as at March 31, 1996. *See note 5 to the Consolidated Financial Statements.*

Quarterly Review

The business of the company fluctuates during the year as indicated by the table below, which summarizes quarterly results for the fiscal year ended March 31, 1996:

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE DATA)	1ST QTR (1)	2ND QTR (1)	3RD QTR	4TH QTR	TOTAL
Revenues	$64,207	$43,379	$93,587	$67,772	$268,945
Gross profit	15,760	8,234	18,717	16,445	59,156
EBITDA	6,289	(3,045)	6,584	8,965	18,793
Net earnings	$ 3,285	$(2,170)	$ 4,418	$ 4,832	$ 10,365
Basic earnings per common share	$ 0.34	$ (0.22)	$ 0.45	$ 0.48	$ 1.05

(1) The company recorded certain non-recurring charges in the second quarter with respect to the television series ReBoot of $1.5 million and corporate expenses of $700,000, both net of provision for income taxes.

In the first quarter, the company recorded net earnings of $1.5 million with respect to ReBoot comprised of revenues and gross profit recognized on delivery of three episodes in the quarter, depreciation of facility costs and other one-time charges based on judgments made by management at that time with respect to ownership of the series and the production facility. In the second quarter, the company reviewed its earlier judgements and concluded that the first quarter ReBoot amounts should not have been recorded. As a result, the ReBoot amounts were reversed in the second quarter. The $700,000 one-time charge in the second quarter was related to severance costs paid to senior officers and expenses with respect to the bid for the broadcast assets of John Labatt Limited. If the charge pertaining to ReBoot had been applied to the first quarter as opposed to the second quarter, the earnings per common share for the first quarter would have decreased by $0.15 from $0.34 to $0.19 and the loss per common share for the second quarter would have decreased by $0.15 from ($0.22) to ($0.07).

Basic earnings per common share for the year would have been approximately $1.12, an increase of $0.07, without the non-recurring charge relating to corporate expenses. The ReBoot charge was only a quarter-to-quarter adjustment and had no impact on the overall results for the year and basic earnings per common share.

Auditor's Report

TO THE SHAREHOLDERS OF ALLIANCE COMMUNICATIONS CORPORATION

We have audited the consolidated balance sheets of Alliance Communications Corporation as at March 31, 1996 and 1995 and the consolidated statements of earnings and retained earnings and changes in financial position for each of the years in the three year period ended March 31, 1996. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 1996 and 1995 and the results of its operations and the changes in its financial position for each of the years in the three year period ended March 31, 1996 in accordance with Canadian generally accepted accounting principles.

Coopers & Lybrand

Chartered Accountants

North York, Ontario
May 31, 1996

Alliance Communications Corporation
Consolidated Balance Sheets

As at March 31, 1996 and March 31, 1995

(IN THOUSANDS OF CANADIAN DOLLARS)

	1996	1995
ASSETS		
Cash	$ 5,090	$ 18,860
Accounts receivable	53,081	48,788
Distribution contracts receivable	64,948	42,672
Investment in film and television programs (note 2)	63,274	60,652
Film and television programs in progress	22,398	29,914
Program exhibition rights	9,151	9,625
Development costs and investment in scripts	7,762	4,336
Fixed assets (note 3)	6,848	5,718
Other assets (note 4)	5,462	4,365
Goodwill	884	1,188
	$ 238,898	$ 226,118
LIABILITIES		
Operating loan and bank indebtedness (note 5)	$ 5,617	$ –
Accounts payable and accrued liabilities	47,440	47,688
Distribution revenues payable	26,238	32,770
Loans payable (note 6)	2,083	1,371
Deferred income taxes	10,818	9,314
Deferred revenue	32,706	33,204
Minority interest	2,116	1,419
	127,018	125,766
CONVERTIBLE DEBENTURE (note 7)	16,500	16,500
SHAREHOLDERS' EQUITY		
Capital stock (note 8)	52,295	50,892
Retained earnings	42,705	32,340
Cumulative translation adjustments	380	620
	95,380	83,852
	$ 238,898	$ 226,118

ON BEHALF OF THE BOARD

David J. Kassie, Director

Ellis Jacob, Director

The accompanying notes form an integral part of these financial statements.

Alliance Communications Corporation
Consolidated Statements of Earnings and Retained Earnings

For the Years Ended March 31, 1996, March 31, 1995 and March 31, 1994

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE DATA)

	1996	1995	1994
REVENUES	$ 268,945	$ 233,811	$108,985
DIRECT OPERATING EXPENSES	209,789	183,685	78,200
GROSS PROFIT	59,156	50,126	30,785
OTHER EXPENSES			
Other operating expenses	40,363	28,643	19,194
Depreciation of fixed assets	2,934	3,518	400
Amortization of development costs and investment in scripts and goodwill	2,104	1,646	1,094
Interest (note 10)	893	282	369
	46,294	34,089	21,057
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	12,862	16,037	9,728
MINORITY INTEREST	562	(596)	–
PROVISION FOR INCOME TAXES (note 11)	1,935	3,658	2,383
NET EARNINGS FOR THE YEAR	10,365	12,975	7,345
RETAINED EARNINGS–BEGINNING OF YEAR	32,340	19,365	12,020
RETAINED EARNINGS–END OF YEAR	$ 42,705	$ 32,340	$ 19,365
BASIC EARNINGS PER COMMON SHARE (note 12)	$1.05	$1.36	$1.01

The accompanying notes form an integral part of these financial statements.

Alliance Communications Corporation
Consolidated Statements of Changes in Financial Position

For the Years Ended March 31, 1996, March 31, 1995 and March 31, 1994

(IN THOUSANDS OF CANADIAN DOLLARS)

	1996	1995	1994
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net earnings for the year	$ 10,365	$ 12,975	$ 7,345
Items not affecting cash:			
Amortization of investment in film and television programs	185,534	169,460	71,642
Amortization of program exhibition rights	6,807	–	–
Depreciation of fixed assets	2,934	3,518	400
Amortization of development costs and investment in scripts	1,800	1,342	782
Amortization of goodwill	304	304	129
Loss on disposal of fixed assets	–	–	183
Minority interest	562	(596)	–
Deferred income taxes	1,594	3,284	2,904
Net change in other non–cash balances related to operations (note 13)	(35,373)	(21,173)	27,538
	174,527	169,114	110,923
INVESTING ACTIVITIES			
Investment in film and television programs	(188,156)	(177,414)	(96,059)
Film and television programs in progress	7,516	(5,328)	(12,611)
Acquisition of minority interest in subsidiary	–	–	(1,500)
Business acquisition	135	(2,765)	–
Cash balances of acquired businesses	–	4,308	–
Program exhibition rights	(6,333)	(10,236)	–
Development costs and investment in scripts	(5,226)	(2,278)	(3,108)
Fixed assets additions	(2,973)	(6,280)	(1,588)
Change in investment–at cost	(992)	(617)	–
	(196 ,029)	(200,610)	(114,866)
FINANCING ACTIVITIES			
Operating loan and bank indebtedness	5,617	–	–
Bank loans on productions in progress	–	–	(7,429)
Loans payable	712	1,086	(7,801)
Issue of convertible debenture	–	16,500	–
Issue of common shares	1,403	21,818	26,894
(Exercise) issue of warrants	–	(20,984)	22,164
	7,732	18,420	33,828
INCREASE (DECREASE) IN CASH	(13,770)	(13,076)	29,885
CASH–BEGINNING OF YEAR	18,860	31,936	2,051
CASH–END OF YEAR	$ 5,090	$ 18,860	$ 31,936

The accompanying notes form an integral part of these financial statements.

Alliance Communications Corporation Notes to Consolidated Financial Statements

Alliance Communications Corporation (the "company") is a fully integrated global supplier of entertainment products whose origins are in television and motion picture production and distribution. The company also has interests in broadcasting, computer generated animation facilities, music publishing and financing services.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Generally Accepted Accounting Principles

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These principles conform in all material respects with the accounting principles generally accepted in the United States ("U.S. GAAP") except as described in note 18.

(b) Principle of Consolidation

The consolidated financial statements include the accounts of Alliance Communications Corporation and all of its subsidiaries.

(c) Revenue Recognition

Revenue is derived from sale of distribution rights and equity in productions and theatrical or television exhibition. Revenue is recognized as earned when the film or television program is completed and delivered, when amounts are due from the exhibitor and when a contract is executed that irrevocably transfers distribution rights to a licensee or equity to an investor, and there is reasonable assurance of collectability of proceeds.

The company recognizes as revenue only the net benefits from sales to limited partnerships when the investor has irrevocably committed to acquire the related equity.

Revenue from music publishing is derived from the collection of royalties on the rights owned and is recognized when received.

Advertising revenue is recognized when advertisements are aired. Cable service subscriber fee revenue is accrued as earned.

Amounts received and receivable and not recognized as revenue are included in deferred revenue.

(d) Investment in Film and Television Programs

Investment in film and television programs represents the unamortized costs of motion picture and television programs which have been produced by the company or for which the company has acquired distribution rights. Such costs include all production, print and advertising costs which are expected to be recovered from future revenues, net of estimated future liabilities related to the product.

Amortization is determined based on the ratio that current revenues earned from the film and television programs bear to expected gross future revenues. Based on management's estimates of gross future revenues as at March 31, 1996, it is expected that the investment in film and television programs will be absorbed principally over the next three years.

Investment in film and television programs is written down to the net recoverable amount if the investment is greater than the net recoverable amount. Net recoverable amount is defined as the total future revenues expected to be earned from film and television programs, net of future costs.

(e) Film and Television Programs in Progress

Film and television programs in progress represents the accumulated costs of uncompleted motion picture and television programs which are being produced by the company.

(f) Program Exhibition Rights

Program exhibition rights represents the rights to various long-term contracts acquired from third parties to broadcast television programs and motion pictures. Program exhibition rights and corresponding liabilities are recorded at the time the company becomes committed under a license agreement and the product is available for telecast. The carrying value of the program exhibition rights is amortized over the lesser of two years and the contracted exhibition period beginning in the month the film or television program is premiered.

(g) Development Costs and Investment in Scripts

Development costs and investment in scripts represents expenditures made on projects prior to production. Advances or contributions received from third parties to assist in development are deducted from these expenditures. Upon commencement of production, development costs and investment in scripts are charged to the production. Development costs and investment in scripts are amortized on the straight-line basis over three years commencing in the year following the year such costs are incurred when production has not commenced. Development costs and investment in scripts are written off when determined not to be recoverable.

(h) Government Financing and Assistance

The company has access to several government programs that are designed to assist film and television production and distribution in Canada. Amounts received in respect of production assistance are recorded as revenue in accordance with the company's revenue recognition policy for completed film and television programs. Government assistance with respect to distribution rights is recorded as a reduction of investment in film and television programs. Government assistance towards current expenses is included in net earnings for the year.

(i) Fixed Assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation is provided, commencing in the year after acquisition, using the following rates and methods:

Computer hardware and software
- up to 30% principally by declining balance

Furniture and fixtures
- up to 20% principally by declining balance

Equipment
- 30% principally by declining balance

Leasehold improvements
- straight–line over 5 years

Broadcast and transmission equipment
- straight–line over 5 years

(j) Other Assets

Other assets include pre–operating costs related to the period before commencement of commercial operations of Showcase Television Inc. The amount is being amortized, beginning January 1, 1995, over a period of five years.

Investments are accounted for at cost as the conditions for equity accounting are not present. The fair value of these investments is not readily determinable.

(k) Goodwill

Goodwill is amortized on the straight–line basis over a period of five years.

(l) Distribution Revenues Payable

Distribution revenues payable represents the excess of receipts from the distribution of film and television programs over commissions earned and distribution costs incurred and are payable to the licensor of the film or television program.

(m) Foreign Currency

Assets and liabilities denominated in currencies other than Canadian dollars are translated at exchange rates in effect at the balance sheet date. Revenue and expense items are translated at average rates of exchange for the year.

Translation gains or losses are included in the determination of earnings except for gains or losses arising on the translation of the accounts of the foreign subsidiaries considered to be self–sustaining, which are deferred as a separate component of shareholders' equity.

(n) Non–Cash Balances Related to Operations

Non–cash balances related to operations are comprised of the aggregate of the following assets and liabilities: accounts receivable; distribution contracts receivable; other assets excluding investments–at cost; accounts payable and accrued liabilities; distribution revenues payable; deferred income taxes; deferred revenue; and cumulative translation adjustments.

(o) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. INVESTMENT IN FILM AND TELEVISION PROGRAMS

(IN THOUSANDS OF CANADIAN DOLLARS)	1996	1995
Completed film and television programs produced, net of amortization	$22,837	$ 19,691
Film and television programs acquired, net of amortization	40,437	40,961
	$63,274	$60,652

The company expects that 92% of completed film and television programs produced, net of amortization, and 63% of acquisition costs related to released film and television programs, net of amortization, will be amortized during the three year period ending March 31, 1999.

The company earns revenues from films and television programs which are fully amortized and are not valued in the accounts.

3. FIXED ASSETS

(IN THOUSANDS OF CANADIAN DOLLARS)	1996		1995	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Computer hardware and software	$4,040	$1,387	$2,869	$648
Furniture and fixtures	2,061	742	1,708	589
Equipment	1,316	704	1,032	438
Leasehold improvements	1,876	771	1,245	432
Broadcast and transmission equipment	1,482	323	1,018	47
	10,775	3,927	7,872	2,154
Net fixed assets		$6,848		$5,718

4. OTHER ASSETS

(IN THOUSANDS OF CANADIAN DOLLARS)	1996	1995
Pre-operating costs	$2,231	$2,826
Prepaid expenses	1,622	922
Investments-at cost	1,609	617
	$5,462	$4,365

5. OPERATING LOAN AND BANK INDEBTEDNESS

(IN THOUSANDS OF CANADIAN DOLLARS)	1996	1995
Bank indebtedness-gross	$ 18,760	$ –
Interest expense on bank indebtedness	$ 961	$ 123
Weighted average interest rate	9.04%	9.37%

Operating loan and bank indebtedness is netted on the balance sheet with cash to the extent a right of offset exists.

The company's assets and the assets of its subsidiaries have been pledged as collateral for the bank indebtedness.

At March 31, 1996 and March 31, 1995, the company had unused credit facilities aggregating $61.2 million and $80.0 million, respectively. These facilities are primarily used for bridge financing of productions.

6. LOANS PAYABLE

(IN THOUSANDS OF CANADIAN DOLLARS)	1996	1995
Interest bearing loans at prime plus 1%, unsecured with no specific repayment date	$2,083	$1,371

7. CONVERTIBLE DEBENTURE

On October 28, 1994, the company issued a convertible, unsecured, subordinated debenture for $16.5 million cash bearing interest at 6.5% per year, maturing on April 5, 2002. The debenture is convertible at the option of the holder into common shares of the company at any time after October 28, 1995 at a conversion price of $19 per share. Interest is payable in cash or additional convertible debentures at the company's option.

Commencing October 28, 1999, the debenture will be redeemable at the option of the company, provided certain conditions are met, at the issue price, together with accrued and unpaid interest to the date of redemption. The company has the option to pay for the redemption of the debenture by issuing its own common shares to the debenture holder at a price equal to 90% of the weighted average trading price of the common shares for the last 20 consecutive trading days prior to redemption or the maturity date.

8. CAPITAL STOCK

(a) The authorized capital stock of the company consists of an unlimited number of common shares. The common shares are comprised of Class A Voting Shares (the "Voting Shares") and Class B Non-Voting Shares (the "Non-Voting Shares") which have identical attributes except that the Non-Voting Shares are non-voting and each of the Voting Shares is convertible at any time at the holder's option into one fully paid and non-assessable Non-Voting Share. The Non-Voting Shares may be converted into Voting Shares only in certain circumstances.

(b) During fiscal 1996, the following transactions occurred:

On April 26, 1995, the company reorganized its share capital and created the Voting Shares and Non-Voting Shares, converted each existing common share into one-half of a Voting Share and one-half of a Non-Voting Share, and cancelled all of the existing authorized and issued common shares; and

During fiscal 1996, 117,478 employee stock options were exercised pursuant to the company stock option plan for proceeds of $1,403,000.

(c) During fiscal 1995, the following transactions occurred:

In May 1994, 1,530,000 shares were issued pursuant to the exercise of 1,530,000 warrants to acquire common shares and the receipt of proceeds of $20,984,000 released from escrow net of issue expenses and income tax benefits;

In October 1994, 13,900 shares were issued in connection with the purchase of a 75% interest in Partisan Music Productions Inc., carrying on business as TMP- The Music Publisher, at $16.33 per share for aggregate proceeds of $227,000; and

During fiscal 1995, 51,936 employee stock options were exercised pursuant to the company stock option plan for proceeds of $607,651.

(d) During fiscal 1994, the following transactions occurred:

In June 1993, the common shares were split on an 8 for 1 basis;

In July 1993, 228,320 common shares were issued for $400,000 cash, pursuant to a stock option;

In August 1993, 1,888,400 common shares were issued pursuant to an initial public offering, at a price of $13 per share for cash proceeds of $23,259,000, net of expenses and income tax benefits;

In September 1993, 227,300 common shares were issued pursuant to an over-allotment option at $13 per share for cash proceeds of $3,415,000, net of expenses and income tax benefits; and

In November 1993, 78,431 common shares were issued in connection with the buyout of the non-control interest in a subsidiary company at $12.75 per share for aggregate proceeds of $1,000,000.

(e) As a result, the issued capital stock is as follows:

(IN THOUSANDS OF CANADIAN DOLLARS)	1996	1995
Common shares:		
Voting Shares,		
4,948,725 (1995– 4,889,986)	$26,169	$25,468
Non-Voting Shares,		
4,945,043 (1995– 4,886,304)	26,126	25,424
	$52,295	$50,892

(f) The company has an employee stock option plan which allows for an exercise price based on market price. The majority of the options expire in 1998. As of March 31, 1996, options for 1,413,253 shares (1995–1,192,036) had been granted to employees and directors of the company and remain outstanding.

Stock option activity for 1995 and 1996 is as follows:

	Number of Shares		
	Voting	*Non-Voting*	*Total*
Outstanding at March 31, 1994	360,633	360,633	721,266
Granted	276,203	276,203	552,406
Exercised	(25,968)	(25,968)	(51,936)
Cancelled	(14,850)	(14,850)	(29,700)
Outstanding at March 31, 1995	596,018	596,018	1,192,036
Granted	–	537,520	537,520
Exercised	(58,739)	(58,739)	(117,478)
Cancelled	(99,409)	(99,416)	(198,825)
Outstanding at March 31, 1996	437,870	975,383	1,413,253
Exercisable at March 31, 1996	216,962	216,962	433,924

Option prices per share:	
Exercised year ended March 31, 1995	$11.70
Exercised year ended March 31, 1996	$11.70 to $13.50
Outstanding at March 31, 1996	$11.70 to $15.25

Options outstanding were split 50% Voting Shares and 50% Non-Voting Shares effective May 15, 1995. All options granted after May 15, 1995 are options to purchase Non-Voting Shares.

9. BUSINESS ACQUISITIONS

During the year, the company invested $166,000 in Showcase Television Inc. The percentage equity interest remains unchanged at 55%.

10. INTEREST

(IN THOUSANDS OF CANADIAN DOLLARS)	1996	1995	1994
Interest expense on long-term debt	$ 1,195	$ 476	$ 337
Interest income	(1,550)	(359)	–
Other	1,248	165	32
	$ 893	$ 282	$ 369

Interest paid for the year ended March 31, 1996 amounted to $2,040,000 (1995– $1,332,000, 1994– $369,000).

11. INCOME TAXES

The differences between the effective tax rate reflected in the provision for income taxes and the Canadian statutory income tax rate are as follows:

(IN THOUSANDS OF CANADIAN DOLLARS)	1996	1995	1994
Corporate statutory tax rate	44.6%	44.0%	44.0%
Add (deduct) the tax rate effect of:			
Foreign operations subject to different income tax rates	(31.9)	(24.6)	(23.9)
Expenses not deductible for income tax purposes	2.3	3.4	4.4
	15.0%	22.8%	24.5%

The subsidiaries' non-capital tax losses are approximately $1,607,000, which are available for offset against those subsidiaries' future taxable income. The benefits of these losses, which have not been reflected in these accounts, expire in 2002.

Effective April 1, 1993, the company adopted, for U.S. GAAP purposes, U.S. Financial Accounting Standards Board Statement No. ("FASB") 109, "Accounting for Income Taxes."

Under U.S. GAAP, deferred income taxes as at March 31, 1996 would be $10,818,000 (March 31, 1995–$9,480,000). Details of deferred income taxes under U.S. GAAP are as follows:

(IN THOUSANDS OF CANADIAN DOLLARS)	1996	1995
Deferred income taxes depreciation	$185	$47
Financing fees	(995)	(1,472)
Prepaid royalties	20,067	20,452
Development costs	3,450	1,934
Investment in film and television programs	7,622	6,670
Gross deferred income taxes	30,329	27,631
Other	1,927	645
Net operating loss carry-forwards	(21,438)	(18,796)
	$10,818	$9,480

Under U.S. GAAP, the provision for income taxes for the year ended March 31, 1996 would be $1,935,000 (March 31, 1995–$3,492,000, March 31, 1994– $2,356,000).

Details of provision for income taxes are as follows:

(IN THOUSANDS OF CANADIAN DOLLARS)	1996	1995	1994
Federal	$ 410	$ 1,183	$ 1,076
Provincial	(66)	638	553
Foreign	1,591	1,671	727
	$ 1,935	$ 3,492	$ 2,356

12. EARNINGS PER COMMON SHARE

Earnings per common share is calculated on the basis of 9,839,889 (1995–9,543,000, 1994–7,269,000) weighted average common shares outstanding.

Fully diluted earnings per common share for 1996 is $0.99 (1995–$1.31, 1994–$0.96). This reflects the effects of employee stock options and convertible debenture outstanding at March 31, 1996, 1995, and 1994.

13. STATEMENT OF CHANGES IN FINANCIAL POSITION

Details of changes in non-cash working capital balances related to operations are:

(IN THOUSANDS OF CANADIAN DOLLARS)	1996	1995	1994
Cash provided by (used in):			
Accounts receivable and distribution contracts receivable	$(26,569)	$(22,388)	$(17,294)
Accounts payable and accrued liabilities	(248)	5,551	10,543
Deferred revenue	(498)	(14,607)	34,016
Distribution revenues payable	(6,532)	13,223	1,763
Other	(1,526)	(2,952)	(1,490)
Changes in non-cash working capital balances related to operations	$(35,373)	$(21,173)	$27,538

Cash used in investing activities for the years ended March 31, 1995 and March 31, 1994 would have been $203,872,000 and $113,813,000 respectively as a result of expensing certain development costs and investment in scripts under U.S. GAAP.

14. GOVERNMENT FINANCING AND ASSISTANCE

Revenues include $13,824,000 of production financing obtained from the government for the year ended March 31, 1996 (1995–$8,881,000, 1994–$9,983,000). This financing is repayable from distribution revenues in respect of which the financing was made. As revenues from these productions are not currently known, the amounts ultimately repayable to government agencies are not determinable. In addition, revenues include $693,000 of government grants (1995–$2,406,000, 1994–$2,269,000).

Investment in film and television programs includes a reduction of $10,810,000 (1995–$10,209,000) with respect to government assistance for certain programs. In addition, revenues include $1,023,000 (1995–$1,492,000, 1994–$536,000) of government grants. Government assistance may be repayable in whole or in part depending upon future revenues generated by certain individual film and television programs. The potential amounts repayable are not determinable.

15. RELATED PARTY TRANSACTIONS

Included in 1995 accounts receivable is $335,000 due from a director of the company. Included in 1994 interest expense is $165,000 of interest charged on loans from corporate shareholders.

16. COMMITMENTS AND CONTINGENCIES

(a) The company is committed with respect to operating leases for office premises and equipment expiring at various dates to September 2003. The future minimum payments under the terms of such leases are as follows:

(IN THOUSANDS OF CANADIAN DOLLARS)	1996	1995	1994
1995	–	–	$1,091
1996	–	$953	840
1997	$2,131	858	760
1998	2,225	784	721
1999	1,303	388	377
2000	1,149	300	–
2001	1,247	–	–
Thereafter	3,682	526	481
	$11,737	$3,809	$4,270

Rent expense for the year ended March 31, 1996 is $1,525,438 (1995–$1,418,000, 1994–$1,040,000).

(b) The company is involved in various legal actions. In the opinion of management, any resulting liability is not expected to have a material adverse effect on the company's financial position.

(c) The company has a letter of credit of US$2.5 million outstanding at March 31, 1996 (1995–US$2.5 million, 1994–$nil).

17. SEGMENTED INFORMATION

The company is vertically integrated and operates exclusively in the production, distribution, structured production financing of television programs and motion pictures, broadcasting and music publishing industries, which are considered the dominant industry segments.

Revenues include $100,902,000 (1995–$105,588,000, 1994–$35,151,000) derived from foreign sources.

18. RECONCILIATION TO U.S. GAAP

The consolidated financial statements of the company have been prepared in accordance with Canadian GAAP. The following adjustments and/or additional disclosures would be required in order to present the financial statements in accordance with U.S. GAAP, as required by the United States Securities and Exchange Commission.

Under U.S. GAAP, the net earnings and earnings per common share figures and shareholders' equity for the years ended March 31, 1996, 1995 and 1994 would be adjusted as follows:

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE DATA)

		Net Earnings			Shareholders' Equity	
		1996	*1995*	*1994*	*1996*	*1995*
CANADIAN GAAP		$10,365	$12,975	$ 7,345	$95,380	$83,852
Adjustment to development costs and investment in scripts net of income taxes of $648,000 (1995–$447,000, 1994–$467,000)(a)	92	808	(562)	(586)	(516)	(1,324)
Adjustment to operating expenses with respect to stock options(b)	65	90	(457)	(355)	(722)	(812)
Adjustment to revenue with respect to television license agreements net of income taxes of $90,000 (1995–$243,000, 1994–$100,000)(c)	92	(2,501)	(125)	(456)	(3,656)	(1,155)
Adjustment to income tax provision excluding cumulative effect adjustment noted below(d)	8	–	166	27	193	193
Adjustment to retained earnings with respect to stock options.		–	–	–	722	812
U.S. GAAP excluding cumulative effect adjustment		8,762	11,997	5,975	91,401	81,566
Cumulative effect of income tax adjustment for years prior to April 1, 1993(e)	8	–	–	(285)	(285)	(285)
U.S. GAAP		$ 8,762	$11,997	$ 5,690	$91,116	$81,281
Earnings per common share based on U.S. GAAP(e)						
Primary		$ 0.88	$ 1.23	$ 0.74		
Fully diluted		$ 0.86	$ 1.17	$ 0.74		

(a) Accounting for Development Costs

Under FASB 53, "Financial Reporting by Producers and Distributors of Motion Picture Films," expenditures associated with the development of stories and scenarios are expensed as incurred while expenditures associated with investments in specific scripts are expensed if the property has been held for three years and has not been set for production. Under Canadian GAAP, development costs and investment in scripts are amortized over three years commencing in the year following the year such costs are incurred. The net difference of the two adjustments is disclosed as a U.S. GAAP reconciling item.

(b) Accounting for Stock Options and Share Issuances

For the years ended March 31, 1996 and 1994, compensatory employee stock options were issued and vested in the year. In accordance with Accounting Principles Board Opinion No. ("APB") 25, "Accounting for Stock Issued to Employees", the difference between the quoted market price and the option price is recorded as compensation expense over the vesting period.

For the year ended March 31, 1995, no compensatory employee stock options were issued which resulted in a compensation expense, however, a compensatory expense was recognized for options issued in prior years as they vested in the year.

(c) Revenue Recognition From Television License Agreements

Under FASB 53, revenues from license agreements for television programs are recognized at the time the license periods commence. Under Canadian GAAP, revenues are recognized at the time the license agreements are signed.

(d) Accounting for Income Taxes

Effective April 1, 1993 for U.S. GAAP reconciliation purposes, the company adopted FASB 109. The adoption of FASB 109 changes the company's method of accounting for income taxes from the deferral method to the asset and liability method. FASB 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of assets and liabilities that have been recognized in the financial statements.

As a result of the adoption of FASB 109, the company recognized an additional expense of $285,000, representing the cumulative effect of the change on results for years ended prior to April 1, 1993.

(e) Earnings per Common Share

Under APB 15, earnings per common share is based on the weighted average number of common shares issued and outstanding and common stock equivalents, including stock options and warrants. Certain stock options and shares are considered to have been outstanding from the beginning of the year for the earnings per common share calculations at March 31, 1996, 1995 and 1994. The treasury stock method was applied in the earnings per common share calculations.

Primary earnings per common share is calculated on the basis of 9,922,030 (1995–9,718,770, 1994–7,663,185) weighted average shares outstanding.

(f) Accounting for Stock–Based Compensation

The company will be required to adopt FASB 123, "Accounting for Stock–Based Compensation," for the year ending March 31, 1997. The company will adopt the disclosure requirements of FASB 123 at that time but has not yet made a determination as to whether it will continue to account for stock–based compensation in accordance with APB 25 or FASB 123.

19. COMPARATIVE AMOUNTS

Certain amounts presented in the prior period have been reclassified to conform with the presentation adopted in the current year.

Corporate Governance

The Toronto Stock Exchange and the Montreal Exchange recently established certain annual disclosure requirements relating to corporate governance practices for every listed company incorporated under Canadian or provincial laws. Disclosure with respect to corporate governance practice is to be made with reference to the Guidelines established by The Toronto Stock Exchange Committee on Corporate Governance in Canada in its report dated December 20, 1994.

The review of the company's practices in the context of the Guidelines was undertaken by a newly–formed Corporate Governance Committee, composed of unrelated directors of the company. An unrelated director is one who is free from any interest in any business or other relationship which could, or could reasonably be perceived to, materially interfere with a director's ability to act with a view to the best interests of the company, other than interests arising from shareholding. The Corporate Governance Committee's report and recommendations, and this statement, were unanimously approved by the Board of Directors of the company on June 10, 1996.

Mandate of the Board

It is the responsibility of the Board to supervise the management of the affairs and business of the company, acting with a view to the best interests of the company, pursuant to the powers granted by, and the obligations imposed under, the Canada Business Corporations Act, the articles and bylaws of the company, and common law. The Board holds five regularly scheduled meetings annually, as well as additional meetings to address issues from time to time. In addition, Board members are consulted informally by senior management of the company to remain informed of corporate developments which may not require formal meetings and to provide advice as needed. In the previous fiscal year the Board met on nine occasions.

The Board, either directly or through its three committees, the Audit Committee, the Compensation Committee and the Corporate Governance Committee, includes in its responsibilities:

– overseeing the strategic direction of the company's development, with a view to ensuring continued profitable growth;

– ensuring the maintenance of adequate systems of internal controls, information availability and compliance with all relevant regulations that govern the operations of the company;

– supervising the performance of senior executives of the company, including the compensation and incentivization of senior management, as well as compensation plans relating to employees and management generally;

– ensuring that the company maintains a comprehensive communications policy, with a view to strictest compliance with the company's disclosure obligations as a public company; and

– generally, ensuring that the company establishes and adheres to the highest standards of management accountability.

All of these responsibilities are addressed continuously by the Board in carrying out these duties throughout the year.

Board Composition

The Board consists of thirteen directors as of March 31, 1996. Of that number, nine are unrelated directors.

The unrelated directors are Pierre Desroches, Harold P. Gordon, Edward Greenspan, Ellis Jacob, Allen Karp, David J. Kassie, Anna Porter, Andrew Sarlos and Gerald W. Schwartz. In considering their qualifications as unrelated directors, the Board took into account relationships certain of the unrelated directors have or have had with the company. The company is currently a party to a consulting agreement with Mr. Gordon. Mr. Karp and Mr. Jacob are the Chief Executive Officer and Chief Financial Officer, respectively, of Cineplex Odeon Corporation, which is the principal exhibitor of Alliance's theatrical releases in Canada. Mr. Schwartz is President, Chairman and Chief Executive Officer of Onex Corporation, which hold a convertible debenture issued by the company in the amount of $16.5 million. Mr. Kassie is Chairman of CIBC Wood Gundy Capital, which has provided investment banking services in the past to the company. In addition, from time to time directors may be compensated for professional advisory and consulting services provided to the company. The Board does not believe that the relationship of each individual with the company could reasonably be perceived to materially interfere with that director's ability to act in the best interests of the company.

The Board has considered its composition and size, and is of the view that it is able to fulfill its duties and carry out its responsibilities effectively. The company does not have a significant shareholder.

The Board has delegated certain responsibilities to committees, which meet independently as required. The Audit Committee, the Compensation Committee and the Corporate Governance Committee are made up exclusively of unrelated directors.

Mr. Lantos, the Chief Executive Officer of the company, is also the Chairman of the Board. While the two positions are held by Mr. Lantos, in view of the number of unrelated directors and outside directors on the Board, the Board has determined that it is able to act independently of management. Any director is entitled to request that the Board meet without management present, and the Board has from time to time met without management present.

Board Committees

• Audit Committee

The Audit Committee is responsible for the detailed review of the company's internal controls; preparation of quarterly unaudited, and annual audited, financial statements; the performance of the Chief Financial Officer; and the preparation of Management's Discussion and Analysis. In addition, it reviews the performance of the company's auditors and recommends their appointment as required. It also assesses with the auditors the company's amortization policies as they relate to investment in films and television programming, with a view to ensuring the prudent amortization of the company's film and television assets in accordance with industry standards.

The Committee, comprised of Harold P. Gordon, David J. Kassie and Ellis Jacob, met four times in fiscal 1996.

• Compensation Committee

The Compensation Committee is responsible for determining the compensation and incentivization of senior executives of the company, including the Chairman and Chief Executive Officer, with a view to assessing the appropriateness of salaries and short and long term incentive plans, including bonuses and the issuance of stock options to senior executives and other employees from time to time. In addition, it is responsible for the review of the administration of the company's employee stock option plan and for assuring a proper allocation of responsibility among senior executives and depth of management required to enable the company to achieve its long-term objectives.

The Compensation Committee met five times in fiscal 1996 and is currently comprised of Andrew Sarlos, Harold P. Gordon, Allen Karp and David J. Kassie.

• Corporate Governance Committee

The Corporate Governance Committee was formed in response to the concerns addressed in the Guidelines. Its mandate is to review the corporate governance practices of the company in light of the Guidelines, and the needs of the company, particularly with regard to reviewing on an ongoing basis the responsibilities and composition of the Board and its Committees, and the effectiveness of the members of the Board. It also reviews the qualification of candidates for Board membership and the list of candidates to be nominated for election by the shareholders from time to time. In addition, the Committee will review on an annual basis the remuneration and benefits paid to the directors and formalize the company's orientation process by which it integrates new directors to the Board and the company. Finally, it must advise the Chief Executive Officer, within 140 days of each fiscal year end, that it is necessary or advisable that the company be Canadian-controlled. If the Committee should not so advise, the Class B Non-Voting Shares of the company are to be automatically converted into Class A Voting Shares. It is the policy of the company that any director may seek Committee approval to engage outside counsel at the expense of the company in appropriate circumstances.

The Corporate Governance Committee is composed of Harold P. Gordon, Edward Greenspan and David J. Kassie.

Decisions requiring Board Approval

In addition to those matters which must by law be approved by the Board, all material transactions outside of the ordinary course of the company's business are submitted to the Board for its approval.

Shareholder Relations

The Executive Vice President, with the support of the Chief Financial Officer and the Senior Vice President, Communications, of the company, is responsible for shareholder and investor relations. All inquiries are promptly and fully addressed, having regard to limitations imposed by law and by the sensitivity of the information in relation to the company's competitors. At the company's annual meeting, full opportunity is afforded for shareholder questioning of senior management and the company's activities.

Board Expectations of Management

The Board looks to management to formulate and carry out strategic planning with a view to achieving continuing profitable growth and obtaining maximum return on the shareholders' equity and the company's assets. Management is also expected to provide all necessary information in a timely manner to the Board and its committees, to ensure that they properly discharge their responsibilities. Finally, the Board expects management to carry out its responsibilities to the company and its shareholders in a prudent manner, adhering to the fundamental principles of risk management and maximum exploitation of its resources and the products that form the foundation of the company.

Corporate Information

BOARD OF DIRECTORS

GEORGE BURGER
Director since 1995
Executive Vice President
Alliance Communications Corporation
Toronto, Ontario

PIERRE DESROCHES
Director since 1995
Consultant
St. Lambert, Quebec

HAROLD P. GORDON, Q.C. (*, ‡, †)
Director since 1992
Vice Chairman
Hasbro, Inc.
Boston, Massachusetts

EDWARD L. GREENSPAN, Q.C. (†)
Director since 1993
Senior Partner
Greenspan, Rosenberg and Buhr
Toronto, Ontario

ELLIS JACOB (*)
Director since 1992
Executive Vice President
and Chief Financial Officer
Cineplex Odeon Corporation
Toronto, Ontario

ALLEN KARP (‡)
Director since 1992
President and
Chief Executive Officer
Cineplex Odeon Corporation
Toronto, Ontario

DAVID J. KASSIE (*, ‡, †)
Director since 1992
Chairman
CIBC Wood Gundy Capital
Toronto, Ontario

ROBERT LANTOS
Director since 1985
Chairman and
Chief Executive Officer
Alliance Communications Corporation
Toronto, Ontario

VICTOR LOEWY
Director since 1989
Vice Chairman
Alliance Communications Corporation
President
Alliance Motion Picture Distribution
Toronto, Ontario

ANNA PORTER, O.C.
Director since 1993
Chief Executive Officer
and Publisher
Key Porter Books Limited
Toronto, Ontario

JEFF RAYMAN
Director since 1995
President
Alliance Equicap
Toronto, Ontario

ANDREW SARLOS (‡)
O.C., F.C.A., LL.D. (HON.)
Director since 1992
Chairman
Andrew Sarlos & Associates Limited
Toronto, Ontario

GERALD W. SCHWARTZ
Director since 1995
President, Chairman and
Chief Executive Officer
Onex Corporation
Toronto, Ontario

(*) Audit Committee
(‡) Compensation Committee
(†) Corporate Governance Committee

MANAGEMENT

ROBERT LANTOS
CHAIRMAN & CHIEF EXECUTIVE OFFICER

VICTOR LOEWY
VICE CHAIRMAN

GEORGE BURGER
EXECUTIVE VICE PRESIDENT

ROMAN DORONIUK
CHIEF FINANCIAL OFFICER

JOHN ROBINSON
CORPORATE SECRETARY
SENIOR VICE PRESIDENT
BUSINESS AND LEGAL AFFAIRS

ROBERT PATTILLO
SENIOR VICE PRESIDENT
CORPORATE COMMUNICATIONS

JOSEPH MILLER
VICE PRESIDENT
CORPORATE DEVELOPMENT

MARNI WIESHOFER
VICE PRESIDENT
FINANCE

DIVISIONAL MANAGEMENT

ALLIANCE TELEVISION GROUP

Todd Leavitt
Chairman

Ian McDougall
Senior Vice President
Production

John Morayniss
Senior Vice President
Business and Legal Affairs

• Alliance Television Productions

Michael Weisbarth
President

Laurie Pozmantier
Executive Vice President

Christine Shipton
Vice President
Creative Affairs

• Alliance Television International

Jean-Michel Ciszewski
Vice President
Television Sales

Lisa Pierce
Vice President
Marketing

ALLIANCE MOTION PICTURE GROUP

• Alliance Pictures

Andras Hamori
President

Andrea Wood
Senior Vice President
Business and Legal Affairs

Susan Minas
Vice President
Development and Co-Productions

• Alliance Motion Picture Distribution

Victor Loewy
President

Patrice Theroux
Executive Vice President

• *ALLIANCE RELEASING*

Tony Cianciotta
Senior Vice President
& General Manager

Pierre Brousseau
Vice President Communications
Marketing and Development

Mary-Pat Gleeson
Vice President
Marketing

Anna Maria Muccilli
Vice President
Publicity and Promotions

Ted East
Vice President

• *ALLIANCE PICTURES INTERNATIONAL*

Mark Horowitz
President

• *LE MONDE ENTERTAINMENT*

John Fremes
President

• *ALLIANCE INDEPENDENT FILMS*

Charlotte Mickie
Senior Vice President

ALLIANCE MULTIMEDIA

Steven DeNure
President

• *TMP – THE MUSIC PUBLISHER*

Frank Davies
President

ALLIANCE BROADCASTING

• *SHOWCASE*

Phyllis Yaffe
President

ALLIANCE EQUICAP

Jeff Rayman
President

Linda Rosenthal-Freeman
Vice President

Martin J. Johnson
Vice President

• *EQUICAP FINANCIAL CORPORATION*

Robert M. Beattie
Vice President

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INVESTOR INFORMATION

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The Montreal Exchange:
AAC.A and AAC.B
The Nasdaq Exchange:
ALLIF

Auditors:
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Chartered Accountants
5160 Yonge Street
North York, Ontario M2N 6L3

Bank:
The Royal Bank of Canada
2 Bloor Street East
Toronto, Ontario M4W 1A8

Transfer Agent/Registrar:
Montreal Trust Company of Canada
Corporate Services Division
151 Front Street West,
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Annual Meeting:
Thursday, September 19, 1996
The King Edward Hotel
37 King Street East
Vanity Fair Ballroom
Toronto, Ontario M5C 1E9
at 10:00am EDT

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